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Customers Behaving Badly

Ever been tempted to buy a new designer outfit for a special occasion, keep the price tag on and return it after wearing it? This practice of buying goods with the intention of returning them, known as 'deshopping' is putting a severe drain on the profits of retailers and their supply chain partners. In the 2010 National Retail Federation Return Fraud Survey, it was estimated that the retail industry would lose \$14 billion to return fraud, up from \$10 billion in 2009. Two thirds of retailers admitted to changing their return policy to specifically address return fraud. Other deshopping examples include shoppers who return luggage after their holiday or a dvd after watching it and expect a full refund.

This unethical customer behaviour is a worrying phenomenon and challenges the age-old notion that 'the customer is always right'.

To explore the issue of fraudulent retail returns in more detail, we conducted research with two mass market retailers, 150 independent UK retailers and 530 UK shoppers. Retailers confirmed they were feeling the pinch as a result of deshopping but still believed that they needed to maintain generous return and customer service policies. Our research showed clear evidence that deshopping is a massive problem for retailers and that they felt unprotected against it:

"We'll get dresses coming back after New Years Eve, which customers have spent a lot of money on but are obviously not going to wear again. You have to tread carefully, because it is their word against yours, if they say they haven't worn it." (Store Manager)

The research also revealed inconsistencies in how deshopping behaviour is being managed. Alarming when talking to a group of managers within one of the retail organisations, each one had a different understanding of how their company managed fraudulent returns and what their customer service policy allowed them to do. One independent retailer owner-manager said: *"There is a misconception in the public's mind that they have a right to return anything for any reason and get a refund."*



With more people shopping online, the growth of online returns is set to soar. But, are retailers ready to manage and detect fraudulent returns that have been bought online? Clearly some online returns are to be expected, especially when retailers use different size charts; and there is the added difficulty for shoppers trying to assess for example fit, fabric and quality online. A strategic and co-ordinated approach from retailers, manufacturers and suppliers is needed to manage the threat of online fraudulent returns. One advantage that online retailers have over retail shops is the technology to track and manage returns closely. →

In the battle against deshopping, retailers are phasing out longstanding 'easy refund, no quibble' return policies. Instead 'return within boundaries' policies are being adopted which require purchases to be returned within specified time frames; with clear evidence of purchase and of no wear or use. Many have reduced returns deadlines while others have added tags to garments which cannot be removed or items would no longer be deemed suitable to return.

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Retailers have had to consider the implications of tightening up their return policies very carefully to remain competitive and customer focussed. There is a clear tension here – businesses must still assume the majority of their customers are genuine. A recent survey by the Department for Business, Innovation and Skills revealed that consumers on average lose £4,950 each in their lifetime on faulty goods they have failed to take back to the shops due to fear of not getting a fair deal. This demonstrates that genuine shoppers are suffering and that work needs to be done to support them. There is a fine balance for companies to strike to enable honest consumers to return products without fear whilst reducing fraudulent behaviour.

One large warehouse-style membership-only retailer recently announced they are removing their 'return anytime' policy but elongating warranties; while another global department store announced that they are going back to the never ending refund. In their view, they have a lower return rate due to the higher quality of their goods and believe the policy



will make customers less nervous about purchasing in the first place. Although retailers are keen to create lenient policies in difficult trading times, policy changes must be carefully considered.

Whilst virtually every country in the world is experiencing the most challenging retail market in decades; many UK press are reporting the 'death of the high street' amid concerns that town centres and small shopping malls could soon be deserted. In such tough economic times retailers

have no choice but to strengthen their operations against shrinkage.

The 2010 Global Retail Theft Barometer reported that 31% of retailers had seen an increase in shoplifting. Could this rise be as a result of the recession? The reality is that most genuine customers will be more frugal with their spending habits and may be more likely to justify 'bending return rules'. Retailers are left with little option but to take a more strategic view about how to manage fraudulent behaviour in a way that does not intimidate loyal customers.

Return policies and processes need to be clear and comprehensive; and reflective of the company's customer service policy and culture. Unethical shoppers are more likely to succeed undetected if staff are not trained to handle returns in a consistent way. As well as training staff, customers need to be educated on the returns process including any restrictions to ensure they are treated fairly.

Retailers will also benefit from sharing intelligence about consumer behaviour and best practice with manufacturers and

suppliers who are also impacted by returns. Investing in technology can help to track and monitor consumer behaviour and identify serial deshoppers. It also enables retailers to get closer to their customers and build relationships, whilst communicating clearly and consistently to ensure genuine customers get good care.

What remains is a dilemma about how to manage customers who are behaving badly. As retailers look to an uncertain future,

they must commit to tackling the problem. Shaving just a small amount of shrinkage could make a substantial improvement to their bottom line. The long-term outcome of this Cranfield research is to collaborate with retailers to help them reduce deshopping and enhance their consumer culture, thereby improving the economic health of retailing. [MF](#)

To find out more about this ongoing research please contact the author at tamira.king@cranfield.ac.uk